LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6521 **DATE PREPARED:** Nov 30, 1998
BILL NUMBER: SB 75 **BILL AMENDED:**

SUBJECT: Sports franchises.

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FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill has the following provisions:
(1) Provides the owner of a professional sports team that operates in Indiana and that has at any time received governmental assistance must give the Governor and the executive of the municipality in which the team plays a majority of its home games not less than 180 days notice of the owner's intent to relocate the team.
(2) Requires the notice to include the owner's terms and conditions for acquisition of the franchise by a franchise acquisition corporation.
(3) Provides that when the Governor receives the notice from the owner, a franchise acquisition corporation is formed to acquire the franchise.
(4) Provides for appointment of the board of directors of the corporation.
(5) Requires the corporation to accept the owner's terms and conditions for acquisition of the franchise or negotiate with the owner for acceptable terms and conditions for acquisition.
(6) Provides that if the board and the owner cannot agree on the terms and conditions for acquisition of the franchise, the matter must be referred to an arbitrator to determine the terms and conditions for acquisition of the franchise.
(7) Provides that the board may waive acquisition of the franchise if the board, the owner, and the league agree on acquisition of a new franchise by the corporation.
(8) Requires the board to waive acquisition of the franchise if the corporation is unable to comply with the terms and conditions of the acquisition or if the board determines, by unanimous vote of its members, that acquisition is not in the best interest of the state and the municipality.
(9) Provides for dissolution of the corporation if a franchise is not acquired.
(10) Provides the general and financial powers of a franchise acquisition corporation.
(11) Provides civil penalties if an owner fails to give the required notice or fails to negotiate in good faith.
(12) Provides that after June 30, 1999, an agreement between a governmental entity and a franchise to provide governmental assistance to the franchise must acknowledge the effect of the franchise acquisition statute and agree to be bound by it.
(13) Provides that a franchise that operates in Indiana irrevocably consents to jurisdiction of Indiana courts and to service of process in a legal proceeding relating to the franchise regardless of the subsequent location

of the franchise.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill provides that when the Governor receives notice from its owner that a franchise intends to relocate, a franchise acquisition corporation is established. The corporation is a body corporate and politic, and is not a state agency. This proposal calls for the establishment of a 6-member board of directors to govern the corporation. A member of the board is entitled to the following, paid by the corporation: minimum salary per diem of $50 (unless the member is an employee of a governmental entity); and reimbursement for travel and other expenses actually incurred in connection with the member's duties.

The bill gives the corporation a number of financial powers, including the ability to borrow money from a financial institution, issue and sell debt instruments, issue and sell shares in the corporation, and may accept any other aid from any other source, including gifts, devises, bequests, grants, loans, and appropriations. Any indebtedness is not incurred by the state, but constitutes a corporate obligation.

This bill does not provide for an appropriation to the corporation.

If an owner of a sports franchise fails to comply with the notice requirement, the bill requires the Attorney General to file a court action to enforce and collect a civil penalty, determined by dividing the franchise's gross revenue for the most recently completed fiscal year by the number of home played during the franchise's most recently completed fiscal year. For each day an arbitrator finds the owner refused to negotiate with the corporation or negotiated in bad faith, the arbitrator must reduce the amount of the franchise's acquisition price by $1 M.

Explanation of State Revenues: If the corporation is dissolved due to waiving acquisition of the franchise, or does not a acquire a new franchise, any unencumbered funds will be deposited in the General Fund. Any civil penalty collected by the Attorney General on behalf of the corporation will be deposited in the General Fund if the corporation has not been formed.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of the Attorney General, Office of the Secretary of State, Office of the Treasurer of State, Office of the Governor.

Local Agencies Affected: Trial courts with civil jurisdiction.

Information Sources: